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**HEALTH CARE CENTERS IN SCHOOLS, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/2/08



**HEALTH CARE CENTERS IN SCHOOLS, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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**Postlethwaite & Netterville**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Health Care Centers in Schools, Inc.  
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Health Care Centers in Schools, Inc. (a not-for-profit organization) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Health Care Centers in Schools, Inc. as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2007, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
December 27, 2007

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2007 AND 2006**

**ASSETS**

	<u>2007</u>	<u>2006</u>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 281,616	\$ 93,736
Receivables	96,158	286,099
Prepaid insurance	22,669	21,373
Total current assets	<u>400,443</u>	<u>401,208</u>
<b><u>FURNITURE AND EQUIPMENT, NET</u></b>		
Furniture and equipment, net	<u>73,987</u>	<u>44,650</u>
	<u>73,987</u>	<u>44,650</u>
<b>Total assets</b>	<b><u>\$ 474,430</u></b>	<b><u>\$ 445,858</u></b>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 25,891	\$ 86,832
Due to the Louisiana Assembly on School Based Health Care	195,468	309,256
Accrued salaries and payroll liabilities	95,597	95,500
Total current liabilities	<u>316,956</u>	<u>491,588</u>
<b><u>NET ASSETS</u></b>		
Unrestricted	(88,711)	(229,338)
Temporarily restricted	246,185	183,608
Total net assets	<u>157,474</u>	<u>(45,730)</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 474,430</u></b>	<b><u>\$ 445,858</u></b>

The accompanying notes are an integral part of these statements.

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007		
	Unrestricted	Temporarily Restricted	Total
<b><u>SUPPORT AND REVENUE</u></b>			
Office of Public Health	\$ 1,145,590	\$ -	\$ 1,145,590
East Baton Rouge Parish School Board	1,267,226	-	1,267,226
East Baton Rouge Parish School Board - Title I	-	129,530	129,530
Exceptional Student Services	-	220,403	220,403
Medicaid	100,050	-	100,050
Contributions and donated services	105,883	-	105,883
Baton Rouge Area Foundation	-	115,000	115,000
Partners in Prevention	48,919	-	48,919
Kellogg Foundation	31,500	79,476	110,976
Amicare	-	150,000	150,000
Other revenues and grants	129,719	143,950	273,669
	2,828,887	838,359	3,667,246
Net assets released from restrictions	775,782	(775,782)	-
Total support and revenue	3,604,669	62,577	3,667,246
 <b><u>PROGRAM SERVICE EXPENSES</u></b>			
Salaries and benefits	2,546,862	-	2,546,862
Health education	1,843	-	1,843
Other	81,066	-	81,066
Repairs and maintenance	58,646	-	58,646
Insurance	78,496	-	78,496
Interest	639	-	639
Depreciation	14,629	-	14,629
Medical supplies	34,015	-	34,015
Office supplies	31,451	-	31,451
Professional fees	190,101	-	190,101
Travel and meetings	26,031	-	26,031
Health services for Katrina evacuees	-	-	-
Total program service expenses	3,063,779	-	3,063,779

The accompanying notes are an integral part of these statements.

2006

Unrestricted	Temporarily Restricted	Total
\$ 1,055,172	\$ -	\$ 1,055,172
1,200,000	-	1,200,000
-	129,530	129,530
-	138,100	138,100
100,000	-	100,000
137,852	-	137,852
-	371,750	371,750
108,727	-	108,727
258,712	300,000	558,712
-	-	-
205,928	40,874	246,802
3,066,391	980,254	4,046,645
803,838	(803,838)	-
3,870,229	176,416	4,046,645
2,741,366	-	2,741,366
715	-	715
136,307	-	136,307
72,003	-	72,003
71,275	-	71,275
707	-	707
12,259	-	12,259
24,183	-	24,183
44,941	-	44,941
134,034	-	134,034
31,804	-	31,804
300,000	-	300,000
3,569,594	-	3,569,594

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007		
	Unrestricted	Temporarily Restricted	Total
<b><u>SUPPORT SERVICE EXPENSES</u></b>			
Salaries and benefits	\$ 321,749	\$ -	\$ 321,749
Office supplies	3,494	-	3,494
Professional fees	18,924	-	18,924
Travel and meetings	1,899	-	1,899
Other	7,218	-	7,218
Total support service expenses	<u>353,284</u>	<u>-</u>	<u>353,284</u>
 <b><u>FUNDRAISING EXPENSES</u></b>			
Fundraising expenses	<u>46,979</u>	<u>-</u>	<u>46,979</u>
Total support service expenses	<u>46,979</u>	<u>-</u>	<u>46,979</u>
 Total expenses	<u>3,464,042</u>	<u>-</u>	<u>3,464,042</u>
 <b><u>CHANGE IN NET ASSETS</u></b>	140,627	62,577	203,204
Net assets - beginning of year	<u>(229,338)</u>	<u>183,608</u>	<u>(45,730)</u>
<b><u>Net assets - end of year</u></b>	<u>\$ (88,711)</u>	<u>\$ 246,185</u>	<u>\$ 157,474</u>

The accompanying notes are an integral part of these statements.



2006

Unrestricted	Temporarily Restricted	Total
\$ 310,478	\$ -	\$ 310,478
4,993	-	4,993
117,439	-	117,439
16,091	-	16,091
12,177	-	12,177
<u>461,178</u>	<u>-</u>	<u>461,178</u>
56,910	-	56,910
<u>56,910</u>	<u>-</u>	<u>56,910</u>
4,087,682	-	4,087,682
(217,453)	176,416	(41,037)
<u>(11,885)</u>	<u>7,192</u>	<u>(4,693)</u>
<u>\$ (229,338)</u>	<u>\$ 183,608</u>	<u>\$ (45,730)</u>

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 203,204	\$ (41,037)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,629	12,259
Change in accounts receivable	189,941	4,573
Changes in accounts payable	(174,729)	197,115
Change in accrued salaries and payroll taxes	97	24,338
Change in prepaid insurance	(1,296)	1,532
Net cash provided by operating activities	<u>231,846</u>	<u>198,780</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of furniture and equipment	(43,966)	(17,939)
Net cash used in investing activities	<u>(43,966)</u>	<u>(17,939)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Decrease in outstanding checks in excess of bank balance	-	(37,005)
Net payments on line of credit	-	(50,100)
Net cash used in financing activities	<u>-</u>	<u>(87,105)</u>
 Net increase in cash and cash equivalents	 187,880	 93,736
 Cash and cash equivalents - beginning of year	 <u>93,736</u>	 <u>-</u>
 Cash and cash equivalents - end of year	 <u>\$ 281,616</u>	 <u>\$ 93,736</u>
 <b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u></b>		
Cash paid during the year for interest	<u>\$ 639</u>	<u>\$ 707</u>

The accompanying notes are an integral part of these statements.

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

1. **The Organization**

Health Care Centers in Schools, Inc. (the Organization) is a private not-for-profit organization located in Baton Rouge, Louisiana. The Organization was created to provide comprehensive health care services to students in need at local schools. The Organization links education with physical and emotional health care to promote the overall well-being of the students. The Organization fulfills its objectives by operating clinics at several of the local schools and by coordinating the school nurse program for the East Baton Rouge Parish School Board. These programs are funded by grants received from the State of Louisiana Office of Public Health as well as various other revenues.

2. **Summary of significant accounting policies**

The accounting and reporting policies of the Organization conform to the accounting principles generally accepted in the United States of America. The significant accounting policies used by the Organization in preparing and presenting its financial statements are summarized as follows:

**Basis of presentation**

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any permanently restricted net assets.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Accounts receivable**

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end and are determined to be past due on the contractual terms of the agreement. Based on management's assessment of such amounts, it has concluded that realization losses, if any, on balances outstanding at year end will be immaterial.

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

2. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are stated at historical cost. Donated property is recorded at its fair value on the date of receipt, which is then treated as cost. Additions, renewals, and betterments that extend the lives of assets are capitalized. Maintenance and repair expenditures are expensed as incurred.

Depreciation has been calculated using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 7 years.

Temporarily and permanently restricted net assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time or purpose. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated services

The Organization recognizes revenue for certain services received at the estimated fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. The value of donated services provided by physicians for the years ended June 30, 2007 and 2006, was calculated based on the total compensation package of the physicians volunteering their time.

Contributions

The Organization accounts for grants and contributions in accordance with the requirements of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Statements of cash flows

For purposes of cash flow presentation, the Organization considers cash in operating bank accounts, cash on hand, and all short-term instruments having original maturities of three months or less, to be cash and cash equivalents.

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

2. Summary of significant accounting policies (continued)

Income taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

Reclassifications

Certain amounts on the 2006 financial statements have been reclassified to conform with the 2007 financial statement presentation

3. Liquidity

As shown in the accompanying financial statements, the Organization incurred a decrease in its unrestricted net assets of approximately \$217,000 for the year ended June 30, 2006. While the Organization was able to generate an increase in its unrestricted net assets of approximately \$140,000 during the year ended June 30, 2007, its unrestricted net assets at June 30, 2007 remained negative at (\$88,711).

Management has established a line-of-credit with a financial institution to provide for operational flexibility on a short-term basis and to insure that it can pay all of its obligations as they become due. Management also continues to search for additional sources of revenues, specifically grants that include reimbursement for administrative and overhead costs. It believes that these grants, along with its continued monitoring of costs, will provide sufficient liquidity for the Organization for the coming year.

4. Concentration of revenues

The Organization receives a large amount of its revenues from three major sources - the State of Louisiana Office of Public Health, the East Baton Rouge Parish School Board, and the Kellogg Foundation. The revenues from these three sources represented approximately 80% of the Organization's total revenues during the years ended June 30, 2007 and 2006, respectively.

5. Concentration of credit risk

Financial instruments that subject the Organization to potential concentrations of credit risk consist primarily cash deposits in excess of the federally insured limits. The exposure to the Organization of deposits in excess of federally insured limits was approximately \$275,000 at June 30, 2007.

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

6. Temporarily restricted net assets

Temporarily restricted net assets were available for the following purposes at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Amicare - Medical	\$ 4,481	\$ -
Amicare - Mental	7,951	-
Baton Rouge Area Foundation - social workers	59,484	161,858
Baton Rouge Area Foundation - school renovations	21,750	21,750
Baton Rouge Area Foundation - electronic medical records	34,394	-
Baton Rouge Area Foundation - ad	15,532	-
Blue Cross Blue Shield - electronic medical records	28,400	-
Capital Campaign - additional healthcare centers	26,750	-
Gulf Coast - technical assistance	14,300	-
Kellogg Foundation - Summer program	28,512	-
Save the Children	2,530	-
Tobacco Free Living	2,101	-
	<u>\$ 246,185</u>	<u>\$ 183,608</u>

7. Net assets released from restrictions

Net assets released from donor restrictions by incurring program related expenses satisfying the restricted purposes were as follows for the years ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Amicare - Medical	\$ 70,519	\$ -
Amicare - Mental	67,049	-
Baton Rouge Area Foundation - social workers	102,374	188,142
Baton Rouge Area Foundation - electronic medical records	5,606	-
Baton Rouge Area Foundation - ad	59,468	-
Blue Cross Blue Shield - electronic medical records	21,600	-
Children's Miracle Network	-	2,192
Children's Trust Fund	-	9,000
East Baton Rouge School Board - Title I	129,530	129,530
Exceptional Student Services	220,403	138,100
Frost Foundation	25,000	-
Kellogg Foundation - Katrina relief	-	300,000
Kellogg Foundation - Scotlandville	44,476	-
Kellogg Foundation - Summer	6,488	-
Save the Children	5,370	31,506
Tobacco Free Living	17,899	-
Other	-	5,368
	<u>\$ 775,782</u>	<u>\$ 803,838</u>

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

8. **Furniture and equipment**

Furniture and equipment consisted of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Computer equipment	\$ 62,031	\$ 35,113
Medical equipment	39,802	30,622
Office equipment	<u>40,115</u>	<u>32,247</u>
	141,948	97,982
Less: accumulated depreciation	<u>( 67,961)</u>	<u>( 53,332)</u>
Property and equipment, net	<u>\$ 73,987</u>	<u>\$ 44,650</u>

9. **Line-of-credit**

The Organization has established a \$175,000 revolving line-of-credit with a bank, and there were no outstanding balances at either June 30, 2007 or 2006. The line-of-credit accrues interest at a variable rate based on prime; the interest rates were 8.25% and 8.00% at June 30, 2007 and 2006, respectively. The line-of-credit is secured by the accounts receivable of the Center and is due on demand.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Health Care Centers in Schools, Inc.  
Baton Rouge, Louisiana

We have audited the financial statements of Health Care Centers in Schools, Inc. (the Organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Portlethruaita: Netterville

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**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2007**

A. Summary of audit results:

- (1) The independent auditors' report expressed an unqualified opinion on the financial statements of Health Care Centers in Schools, Inc. as of and for the year ended June 30, 2007.
- (2) No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- (3) No instances of noncompliance material to the financial statements of Health Care Centers in Schools, Inc. were disclosed during the audit.
- (4) A management letter was not issued in connection with the current year audit.

B. Findings - financial statement audit:

- (1) None

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2006**

A. Findings - financial statement audit:

(1) None